ADVANTICA RESTAURANT GROUP INC
Form 10-K/A
June 27, 2002

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K/A

AMENDMENT NO. 1

Annual Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

ADVANTICA RESTAURANT GROUP, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	13-3487402
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)

203 EAST MAIN STREET
SPARTANBURG, SOUTH CAROLINA 39319-9966
(Address of principal executive offices)

(864) 597-8000
(Registrant's telephone number, including area code)

Explanatory Note: This Amendment No. 1 to the Annual Report on Form 10-K of the above-referenced registrant is being filed pursuant to Rule 15d-21 of the Commission solely to furnish the financial statements required by Form 11-K with respect to the Advantica 401(k) Plan.

The undersigned registrant hereby amends the following items, financial statements, exhibits or other portions of its Annual Report for 2001 on Form 10-K as set forth in the pages attached hereto:

Part II, Item 8. Financial Statements and Supplementary Data.

Part IV, Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this amendment to be signed on its behalf by the undersigned, thereunto duly authorized.

Advantica Restaurant Group, Inc.

Dated: June 27, 2002

By: /s/Rhonda J. Parish
Rhonda J. Parish

Executive Vice President, General
Counsel and Secretary

Part II, Item 8. Financial Statements and Supplementary Data of the Annual Report for 2001 on Form 10-K is hereby amended to include the following:

FINANCIAL STATEMENTS

OF

FORM 11-K

Filed pursuant to Rule 15d-21
promulgated under Section 15(d) of the
Securities Exchange Act of 1934

For the fiscal year ended December 31, 2001

Full title of the plans and the address of the plans, if different from that of the issuer named below:

1. ADVANTICA SALARIED 401(K) PLAN

2. ADVANTICA HOURLY/HCE 401(K)PLAN

Name of the issuer of the securities held pursuant to the plans and the address of its principal executive offices:

ADVANTICA RESTAURANT GROUP, INC.
203 EAST MAIN STREET
SPARTANBURG, SOUTH CAROLINA 29319-9966

Part IV, Item 14(a)(1) of the Annual Report on Form 10-K for the period ended December 27, 2001 is amended to insert the following financial statements required by Form 11-K, copies of which are filed herewith:

1. Advantica Salaried 401(k) Plan Financial Statements at December 31, 2001 and 2000 and for Each of the Three Years in the Period Ended December 31, 2001, and Independent Auditors' Report.

2. Advantica Hourly/HCE 401(k) Plan Financial Statements at December 31, 2001 and 2000 and for Each of the Three Years in the Period Ended December 31, 2001, and Independent Auditors' Report.

Part IV, Item 14(a)(3) and the Exhibit Index of the Annual Report on Form 10-K for the period ended December 27, 2001 are amended to insert the following exhibit required by Form 11-K in appropriate numerical order, a copy of which is filed herewith.

Exhibit No.	Description
23.1	Consent of Deloitte & Touche LLP pursuant to Note to Required Information of Form 11-K.

ADVANTICA SALARIED 401(K) PLAN

Financial Statements as of and for the
Years Ended December 31, 2001 and 2000,
for Each of the Three Years in the
Period Ended December 31, 2001, and
Independent Auditors' Report

ADVANTICA SALARIED 401(K) PLAN

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NOTE: Schedules required under the Employee Retirement Income Security Act of 1974 are omitted because of the absence of conditions under which such schedules are required.

INDEPENDENT AUDITORS' REPORT

To the Retirement Committee of
Advantica Salaried 401(k) Plan:

We have audited the accompanying statements of net assets available for benefits of Advantica Salaried 401(k) Plan (the "Plan") as of December 31, 2001 and 2000, and the related statements of changes in net assets available for benefits for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2001 and 2000, and the changes in net assets available for benefits for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP
Greenville, South Carolina

June 7, 2002

ADVANTICA SALARIED 401(K) PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2001 AND 2000

	2001	2000
ASSETS:		
Investments - plan interest in Advantica 401(k) Plans Master Trust (Notes 1, 2, 3 and 4)	$45,828,916	$47,944,296
Receivables:		
Employer's contribution	33,559	38,034
Participants' contributions	99,371	108,737
Total receivables	132,930	146,771
Total assets	45,961,846	48,091,067
LIABILITIES - Accrued expenses	34,941	6,606
NET ASSETS AVAILABLE FOR BENEFITS	$45,926,905	$48,084,461

See notes to financial statements.

ADVANTICA SALARIED 401(K) PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

	2001	2000	1
ADDITIONS:			
Investment (loss) income - plan interest in Advantica 401(k) Plans Master Trust investment (loss) income (Notes 1, 2 and 3)	$ (332,280)	$ 1,721,327	$ 6,5

Contributions:			
Employer's	1,000,564	1,072,721	9
Participants'	2,816,386	2,943,449	2,9
Total contributions	3,816,950	4,016,170	3,8
Total additions, net	3,484,670	5,737,497	10,4
DEDUCTIONS:			
Benefits paid to participants	5,811,777	8,305,939	10,2
Administrative expenses	141,734	141,416	1
Total deductions	5,953,511	8,447,355	10,4
TRANSFERS FROM (TO) OTHER PLANS (Note 1)	311,285	(205,675)	(46,6
NET DECREASE	(2,157,556)	(2,915,533)	(46,6
NET ASSETS AVAILABLE FOR BENEFITS:			
Beginning of year	48,084,461	50,999,994	97,6
End of year	$ 45,926,905	$ 48,084,461	$ 50,9

See notes to financial statements.

ADVANTICA SALARIED 401(K) PLAN

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

1. DESCRIPTION OF THE PLAN

The following description of the Advantica Salaried 401(k) Plan (the "Plan") is provided for general information purposes only. Participants should refer to the plan document for more complete information.

GENERAL - The Plan, formerly the Advantica 401(k) Plan, is a qualified deferred compensation plan, subject to the Employee Retirement Income Security Act of 1974 ("ERISA"). Any non-highly compensated salaried employee of Advantica Restaurant Group, Inc. ("Advantica"), Flagstar Systems, Inc. ("Flagstar"), FRD Acquisition Co. ("FRD," a wholly owned subsidiary of Advantica) (collectively, the "Company"), who has attained age 21 and has completed 6 months of service with the Company is eligible to participate in the Plan. The Plan's committee and plan administrator control and manage the operation and administration of the Plan. American Express Trust Company ("American Express") serves as the Plan's trustee.

Effective January 1, 1999, the Retirement Committee of Advantica approved an amendment to the Advantica 401(k) Plan. The amendment provided that the Advantica 401(k) Plan would consist of two separate plans under ERISA: the Advantica Hourly/HCE 401(k) Plan and the Advantica Salaried 401(k) Plan.

The Advantica 401(k) Plan was restated and renamed the Advantica Salaried 401(k) Plan and assets in the amount of $46,635,644 for hourly and highly compensated participants were transferred to the Advantica Hourly/HCE 401(k) Plan.

On an annual basis, assets of employees who have changed status, as defined in the plan document, are transferred between the two plans. During 2001 and 2000, net transfers between plans due to change in status totaled $311,285 and $205,675, respectively.

On December 29, 1999, the Company completed the sale of the stock of El Pollo Loco, Inc. ("EPL"), a wholly owned subsidiary. In conjunction with the sale, EPL employees were no longer eligible to participate in the Plan. The affected participants were given the option to receive their account balances which approximated $1,701,000 at the sale date, in a lump-sum when they separated from service with EPL.

On January 16, 2001, FRD elected not to make the scheduled interest payment (and all subsequent interest payments to date) due on the $156.9 million aggregate principal amount of its 12.5% senior notes due to their creditors in 2004. On February 14, 2001, to facilitate the divestiture of its Coco's and Carrows brands and to preserve their going concern value, FRD filed for protection under Chapter 11 of the United States Bankruptcy Code. On March 8, 2002,the bankruptcy court approved a settlement agreement. Management does not believe that the terms of the settlement agreement will have any material impact on the Plan.

INTEREST IN MASTER TRUST - The Plan's investments are held in the Advantica 401(k) Plans Master Trust (the "Master Trust") which was established for the investment of assets of the Plan and the Advantica Hourly/HCE 401(k) Plan.

CONTRIBUTIONS - Each year, participants may make pre-tax contributions of up to 15% of eligible compensation. After-tax contributions of up to 10% of each employee's eligible compensation may also be made; however, no after-tax contribution may be made by an employee in any month in which the employee made a pre-tax contribution. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans.

The Company at its discretion may contribute an amount equal to 25% of each participating employee's after-tax contributions, up to 6% of such employee's compensation. Each individual sponsoring employer may make additional matching contributions in amounts which they determine. These Company contributions are made to the Plan monthly and are invested to mirror the employee's election.

In 2001, 2000 and 1999, the following employer contribution formulas were used: 40% of employee pre-tax contributions, up to 6% of compensation for Advantica, Flagstar, and FRD employees; and 100% of employee pre-tax contributions, up to 3% of compensation for Denny's employees.

Contributions are subject to certain Internal Revenue Code ("IRC") limitations.

PARTICIPANT ACCOUNTS - Individual accounts are maintained for each plan participant. Each participant's account is credited with the participant's contribution and allocations of the Company's contributions and earnings, and is charged with allocations of plan losses and administrative expenses and benefit payments, if applicable. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

VESTING - All participants are immediately vested in their contributions plus actual earnings thereon. Vesting in the Company's matching and discretionary contribution portion of their accounts plus actual earnings thereon is based on years of continuous service. For each employee, whose initial date of employment is after December 31, 1998, the Company's matching and discretionary contribution portion of his/her account plus actual earnings thereon will be 100% vested after five years of continuous service unless the following terms provide for more accelerated vesting. For employees of FRD, a participant is 100% vested after five years of continuous service. For employees of Advantica and Flagstar, participants are immediately vested in their contributions and employer contributions plus actual earnings thereon. For employees of Denny's who were initially employed by Denny's subsequent to December 31, 1987 and prior to January 1, 1999, a participant is 100% vested after five years of continuous service.

INVESTMENT OPTIONS - Participants can direct participant and employer contributions in 1% increments in any of 11 investment options currently offered by the Plan. Participants may change their investment options at any time via telephone.

PARTICIPANT LOANS - Participants may borrow from their fund accounts up to the lesser of 50% of the vested portion of their account balance, or the amount of $50,000 less the highest outstanding loan balance during the prior 12-month period. The minimum loan amount is $1,000, and each participant may have only one loan outstanding at any time. The plan document indicates that a reasonable borrowing rate will be assessed, typically evidenced by the prime rate charged by the Plan's trustee. The loans are secured by the balance in the participant's account. The participant also bears any loan administration costs incurred. Loans are repaid through payroll deductions in equal installments with the loan terms ranging from 6 to 54 months. Loan repayments cannot exceed 30% of the participant's salary. If an employee who has a loan outstanding terminates employment, no benefits will be paid from the Plan to the participant until the outstanding loan balance and accrued interest is paid in full. Loans outstanding at December 31, 2001 have a range of interest rates from 5% to 9.5%.

PAYMENT OF BENEFITS - On termination of service due to death, disability or retirement, a participant may elect to receive either a lump-sum amount equal to the value of the participant's vested interest in his or her account, or annual installments over a 10-year period. For termination of service due to other reasons, a participant may receive the value of the vested interest in his or her account as a lump-sum distribution.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

USE OF ESTIMATES - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets available for benefits and changes therein. Actual results could differ from those estimates. The Plan utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

INVESTMENT VALUATION AND INCOME RECOGNITION - Except for the investment in guaranteed investment contracts, which is valued at contract value, the plan interest in Advantica 401(k) Plans Master Trust is presented at fair value, which has been determined based on the fair value of the underlying investments of the Master Trust.

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date.

ADMINISTRATIVE EXPENSES - Administrative expenses of the Plan are paid by the Plan.

PAYMENT OF BENEFITS - Benefit payments to participants are recorded upon distribution.

3. MASTER TRUST

Certain of the Plan's investment assets are held in a trust account at American Express and consists of an undivided interest in an investment account of the Advantica 401(k) Plans Master Trust, a master trust established by the Company and administered by American Express, the Plan's trustee. Use of the Master Trust permits the commingling of trust assets with the assets of the Advantica Hourly/HCE 40l(k) Plan for investments and administrative purposes. Although assets of both plans are commingled in the Master Trust, the trustee maintains supporting records for the purpose of allocating the net gain or loss of the investment account to the participating plans. The net investment income or loss of the investment assets is allocated by the trustee to each participating plan based on the relationship of the interest of each plan to the total of the interests of the participating plans.

Investments of the Master Trust at December 31, 2001 and 2000 are summarized as follows:

	2001	2000
Cash	$ 1,880	$ 68,817

Collective trust funds, at estimated fair value:		
American Express Trust International Equity Index Fund II	62,029	0
American Express Trust Small Cap Equity Index Fund II	152,491	0
American Express Trust Money Market Fund I	791,200	947,817
American Express Trust Income Fund I	12,894,363	11,382,704
American Express Emerging Growth Fund II	6,543,185	7,368,515
American Express Trust Equity Index Fund II	11,025,967	13,257,707
Total	31,469,235	32,956,743
Mutual funds, at quoted market price:		
AXP Total Stock Market Index Fund	170,887	0
AXP New Dimensions Fund Y	1,471,871	1,639,604
Lazard Small Capital Fund	6,528,600	7,552,048
Neuberger & Berman Focus Trust Fund	1,489,739	1,678,985
Templeton Foreign Fund	6,394,753	6,961,377
Total	16,055,850	17,832,014
Guaranteed investment contracts, at estimated fair value	39,020,668	41,236,214
Advantica Restaurant Group, Inc., common stock at quoted market price	273,804	148,434
Loans to participants, at estimated fair value	1,048,723	990,003
Total investments	$ 87,870,160	$ 93,232,225
Plan's investment in the Master Trust	$ 45,828,916	$ 47,944,296
Plan's investment in Master Trust as a percentage of total	52.16%	51.42%

The net investment (loss) income for the Master Trust for the years ended December 31, 2001, 2000 and 1999 is summarized below:

	2001	2000	199
Net (depreciation) appreciation in fair value of investments:			
Collective trust funds	$ (2,768,223)	$ (283,753)	$ 6,289
Mutual funds	(1,116,161)	13,378	3,037
Common stock	(9,691)	(126,444)	(208
	(3,894,075)	(396,819)	9,118
Interest and dividend income	3,630,479	3,765,425	3,154
Total investment(loss) income	$ (263,596)	$ 3,368,606	$ 12,273

4. RELATED PARTY TRANSACTIONS

Certain Master Trust investments are units of collective trust funds and shares of mutual funds managed by American Express. American Express serves as trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions. Fees paid by the Plan to American Express for the years ended December 31, 2001, 2000 and 1999 amounted to approximately $72,000, $54,000 and $80,000, respectively.

The Master Trust also invests in common stock of the Plan's sponsor. These transactions also qualify as party-in-interest transactions.

5. TERMINATION

Although it has not expressed any intention to do so, the Company has the right under the Plan to terminate the Plan subject to the provisions set forth in ERISA. In the event that the Plan is terminated participants would become 100% vested in their accounts.

6. FEDERAL INCOME TAX STATUS

The Internal Revenue Service has determined and informed the Company by a letter dated September 20, 1995, that the Plan and related trust were designed in accordance with the applicable regulations of the Internal Revenue Code. The Plan has been amended since receiving the determination letter; however the Company and the plan administrator believe that the Plan is currently designed and operated in compliance with the applicable requirements of the Internal Revenue Code and the Plan related trust continue to be tax-exempt. Therefore, no provision for income taxes has been included in the Plan's financial statements.

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ADVANTICA HOURLY/HCE 401(K) Plan

Financial Statements as of December 31, 2001
and 2000 and for Each of the Three Years
in the Period Ended December 31, 2001, and
Independent Auditors' Report

ADVANTICA HOURLY/HCE 401(K) PLAN

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NOTE: Schedules required under the Employee Retirement Income Security Act of 1974 are omitted because of the absence of conditions under which such schedules are required.

INDEPENDENT AUDITORS' REPORT

To the Retirement Committee of
Advantica Hourly/HCE 401(k) Plan:

We have audited the accompanying statements of net assets available for benefits of Advantica Hourly/HCE 401(k) Plan (the "Plan") as of December 31, 2001 and 2000, and the related statements of changes in net assets available for benefits for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2001 and 2000, and the changes in net assets available for benefits for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP
Greenville, South Carolina

June 7, 2002

ADVANTICA HOURLY/HCE 401(K) PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2001 AND 2000

	2001	20
ASSETS:		
Investments - plan interest in Advantica 401(k) Plans Master Trust (Notes 1, 2, 3 and 4)	$42,041,244	$45,28
Receivables:		
Employer's contribution	23,769	2
Participants' contributions	69,907	8
Total receivables	93,676	11
Total assets	42,134,920	45,39
LIABILITIES:		
Accrued expenses	34,022	
Excess contributions refundable (Note 1)	196,167	
Total liabilities	230,189	
NET ASSETS AVAILABLE FOR BENEFITS	$41,904,731	$45,39

See notes to financial statements.

ADVANTICA HOURLY/HCE 401(K) PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

	2001	2000	1
ADDITIONS:			
Investment income - plan interest in Advantica 401(k) Plans Master Trust investment income (Notes 1, 2 and 3)	$ 68,683	$ 1,647,279	$ 5,74
Contributions:			
Employer's	708,809	773,324	89
Participants'	2,112,013	2,438,461	2,76
Total contributions	2,820,822	3,211,785	3,65
Total additions	2,889,505	4,859,064	9,40
DEDUCTIONS:			

Benefits paid to participants	5,926,997	8,991,882	6,39
Administrative expenses	138,669	142,345	18
Total deductions	6,065,666	9,134,227	6,57
TRANSFER (TO) FROM ADVANTICA SALARIED 401(K) PLAN (Note 1)	(311,285)	205,675	46,63
NET (DECREASE) INCREASE	(3,487,446)	(4,069,488)	49,46
NET ASSETS AVAILABLE FOR BENEFITS:			
Beginning of year	45,392,177	49,461,665	
End of year	$ 41,904,731	$ 45,392,177	$ 49,46

See notes to financial statements.

ADVANTICA HOURLY/HCE 401(K) PLAN

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

1. DESCRIPTION OF THE PLAN

The following description of the Advantica Hourly/HCE 401(k) Plan (the "Plan") is provided for general information purposes only. Participants should refer to the plan document for more complete information.

GENERAL - The Plan is a qualified deferred compensation plan, subject to the Employee Retirement Income Security Act of 1974 ("ERISA"). Any hourly employee or highly compensated employee of Advantica Restaurant Group, Inc. ("Advantica"), Flagstar Systems, Inc. ("Flagstar") and FRD Acquisition Co. ("FRD," a wholly owned subsidiary of Advantica) (collectively, the "Company"), who has attained age 21 and has completed 6 months of service with the Company is eligible to participate in the Plan. The Plan's committee and plan administrator control and manage the operation and administration of the Plan. American Express Trust Company ("American Express") serves as the Plan's trustee.

Effective January 1, 1999, the Retirement Committee of Advantica approved an amendment to the Advantica 401(k) Plan. The amendment provided that the Advantica 401(k) Plan would consist of two separate plans under ERISA: the Advantica Hourly/HCE 401(k) Plan and the Advantica Salaried 401(k) Plan. The Advantica 401(k) Plan was restated and renamed the Advantica Salaried 401(k) Plan and $46,635,644 in assets for certain employees were transferred to the Advantica Hourly/HCE 401(k) Plan.

On an annual basis, assets of employees who have changed status, as defined in the plan document, are transferred between the two plans. During 2001 and 2000, net transfers between plans due to change in status totaled $311,285 and $205,675, respectively.

On December 29, 1999, the Company completed the sale of the stock of El Pollo Loco, Inc. ("EPL"), a wholly owned subsidiary. In conjunction with the sale, EPL employees were no longer eligible to participate in the Plan. The affected participants were given the option to receive their account balances, which approximated $1,701,000 at the sale date, in a lump-sum when they separated from service with EPL.

On January 16, 2001, FRD elected not to make the scheduled interest payment (and all subsequent interest payments to date) due on the $156.9 million aggregate principal amount of its 12.5% senior notes due to their creditors in 2004. On February 14, 2001, to facilitate the divestiture of its Coco's and Carrows brands and to preserve their going concern value, FRD filed for protection under Chapter 11 of the United States Bankruptcy Code. On March 8, 2002, the bankruptcy court approved a settlement agreement. Management does not believe that the terms of the settlement agreement will have any material impact on the Plan.

INTEREST IN MASTER TRUST - The Plan's investments are in the Advantica 401(k) Plans Master Trust ("Master Trust") which was established for the investment of assets of the Plan and the Advantica Salaried 401(k) Plan.

CONTRIBUTIONS - Participants may make pre-tax contributions of up to 15% of eligible compensation. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans. The Company, at its discretion, may contribute an amount equal to 25% of each participating hourly employee's contributions up to 6% of such employee's compensation. Each individual sponsoring employer may make additional matching contributions in amounts which they determine. These Company contributions are made to the Plan monthly and are invested to mirror the hourly employee's election. In 2001, 2000 and 1999, the following employer contribution formulas were used: 40% of employee pre-tax contributions, up to 6% of compensation for Advantica, Flagstar, and FRD hourly employees; and 100% of employee pre-tax contributions, up to 3% of compensation for Denny's employees. Highly compensated employees are not eligible for the employer match.

Contributions are subject to certain Internal Revenue Code ("IRC") limitations. Excess contributions to be returned to participants are shown as a liability in the accompanying statements of net assets available for benefits.

PARTICIPANTS ACCOUNTS - Individual accounts are maintained for each plan participant. Each participant's account is credited with the participant's contribution and allocations of the Company's contributions (for hourly employees) and earnings, and is charged with allocations of plan losses, administrative expenses and benefit payments, if applicable. Allocations are based on earnings and participant account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

VESTING - All participants are immediately vested in their contributions plus actual earnings thereon. Vesting in the Company's matching and discretionary contribution portion of their accounts plus actual earnings thereon is based on years of continuous service. For each hourly employee whose initial date of employment is after December 31, 1998, the Company's matching and discretionary contribution portion of their account plus actual earnings thereon will be 100% vested after five years of continuous service unless the following terms provide for more accelerated vesting. For employees of FRD, a participant is 100% vested after five years of continuous service. For employees of Advantica and Flagstar, participants are immediately vested in their contributions and employer contributions, plus actual earnings thereon. For employees of Denny's who were initially employed by Denny's subsequent to December 31, 1987 and prior to January 1, 1999, a participant is 100% vested after five years of continuous service.

INVESTMENT OPTIONS - Participants can direct participant and employer contributions in 1% increments in any of 11 investment options currently offered by the Plan. Participants may change their investment options at any time via telephone.

PAYMENT OF BENEFITS - On termination of service due to death, disability or retirement, a participant may elect to receive either a lump-sum amount equal to the value of the participant's vested interest in his or her account, or annual installments over a 10-year period. For termination of service due to other reasons, a participant may receive the value of the vested interest in his or her account as a lump-sum distribution.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

USE OF ESTIMATES - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets available for benefits and changes therein. Actual results could differ from those estimates. The Plan utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

INVESTMENT VALUATION AND INCOME RECOGNITION - Except for the investment in guaranteed investment contracts which is valued at contract value, the plan interest in Advantica 401(k) Plans Master Trust is presented at fair value which has been determined based on the fair value of the underlying investments of the Master Trust.

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date.

ADMINISTRATIVE EXPENSES - Administrative expenses of the Plan are paid by the Plan.

PAYMENT OF BENEFITS - Benefit payments to participants are recorded upon distribution.

3. MASTER TRUST

Certain of the Plans' investment assets are held in a trust account at American Express and consists of an undivided interest in an investment account of the Advantica 401(k) Plans Master Trust, a master trust established by the Company and administered by American Express, the Plan's trustee. Use of the Master Trust permits the commingling of trust assets with the assets of the Advantica Salaried 401(k) Plan for investments and administrative purposes. Although assets of both plans are commingled in the Master Trust, the trustee maintains supporting records for the purpose of allocating the net gain or loss of the investment account to the participating plans. The net investment income or loss of the investment assets is allocated by the trustee to each participating plan based on the relationship of the interest of each plan to the total of the interests of the participating plans.

The investments of the Master Trust at December 31, 2001 and 2000, are summarized as follows:

	2001	2000
Cash	$ 1,880	$ 68,817
Collective trust funds, at estimated fair value:		
American Express Trust International Equity Index Fund II	62,029	0
American Express Trust Small Cap Equity Index Fund II	152,491	0
American Express Trust Money Market Fund I	791,200	947,817
American Express Trust Income Fund I	12,894,363	11,382,704
American Express Emerging Growth Fund II	6,543,185	7,368,515
American Express Trust Equity Index Fund II	11,025,967	13,257,707
Total	31,469,235	32,956,743
Mutual funds, at quoted market price:		
AXP Total Stock Market Index Fund	170,887	0
AXP New Dimensions Fund Y	1,471,871	1,639,604
Lazard Small Capital Fund	6,528,600	7,552,048
Neuberger & Berman Focus Trust Fund	1,489,739	1,678,985
Templeton Foreign Fund	6,394,753	6,961,377
Total	16,055,850	17,832,014
Guaranteed investment contracts, at estimated fair value	39,020,668	41,236,214
Advantica Restaurant Group, Inc., common stock at quoted market price	273,804	148,434
Loans to participants, at estimated fair value	1,048,723	990,003
Total investments	$ 87,870,160	$ 93,232,225

Plan's investment in the Master Trust	$ 42,041,244	$ 45,287,930
Plan's investment in Master Trust as a percentage of total	47.84%	48.58%

The net investment (loss) income for the Master Trust for the years ended December 31, 2001, 2000 and 1999 is summarized below:

	2001	2000	199
Net (depreciation) appreciation in fair value of investments:			
Collective trust funds	$ (2,768,223)	$ (283,753)	$ 6,289
Mutual funds	(1,116,161)	13,378	3,037
Common stock	(9,691)	(126,444)	(208
	(3,894,075)	(396,819)	9,118
Interest and dividend income	3,630,479	3,765,425	3,154
Total investment(loss) income	$ (263,596)	$ 3,368,606	$ 12,273

4. RELATED PARTY TRANSACTIONS

Certain Master Trust investments are units of collective trust funds and shares of mutual funds managed by American Express. American Express serves as trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions. Fees paid by the Plan to American Express for the years ended December 31, 2001, 2000 and 1999 amounted to approximately $69,000, $53,000 and $78,000, respectively.

The Master Trust also invests in the common stock of the Plan's sponsor. These transactions also qualify as party-in-interest transactions.

5. TERMINATION

Although it has not expressed any intention to do so, the Company has the right under the Plan to terminate the Plan subject to the provisions set forth in ERISA. In the event that the Plan is terminated, participants would become 100% vested in their accounts.

6. FEDERAL INCOME TAX STATUS

The Plan has applied for, but not yet received a determination letter. The Company believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code and that the Plan and related trust are tax-exempt. Therefore, no provision for income taxes has been included in the Plan's financial statements.

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